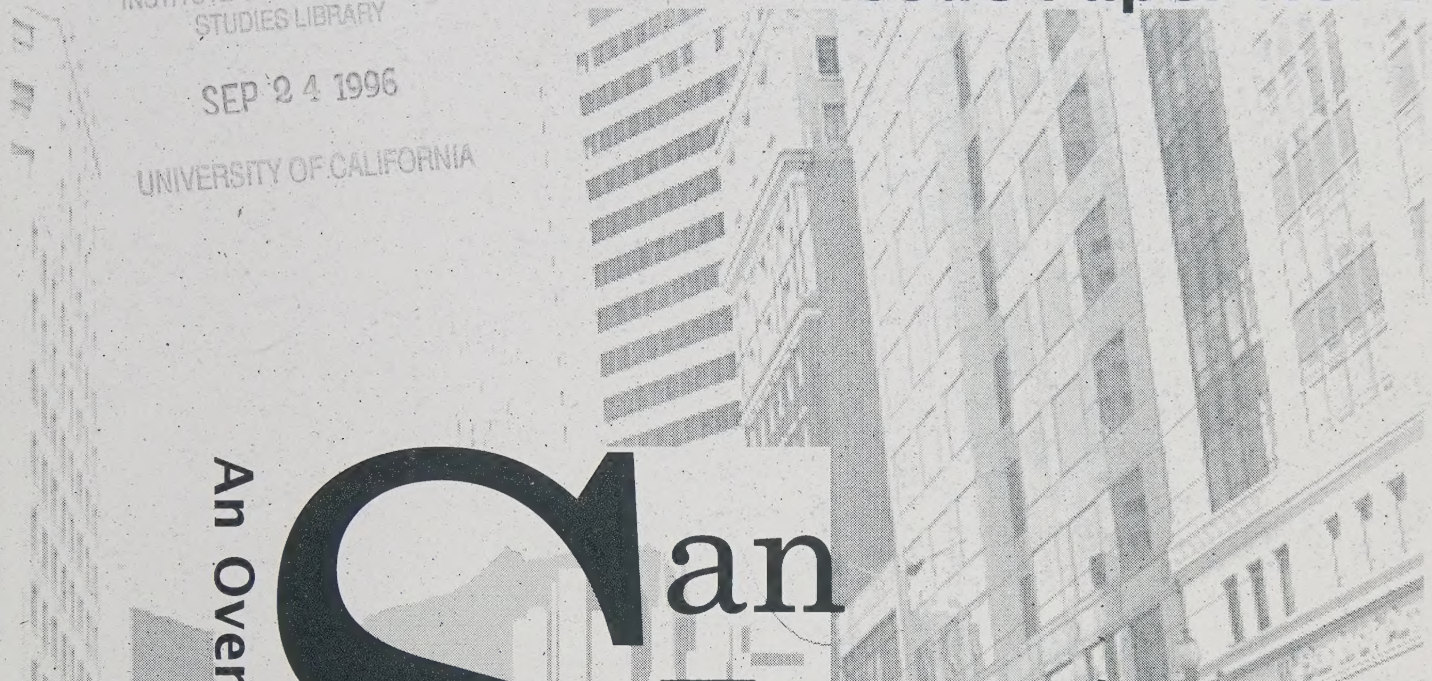
Commerce and Industry Issue Paper No. 1



An Overview of the San Francisco Economy

City and County of San Francisco
Planning Department
July 1996

Acknowledgements

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AN OVERVIEW OF THE

San Francisco Economy

COMMERCE AND INDUSTRY ISSUE PAPER NO. 1

San Francisco Planning Department — July 1996

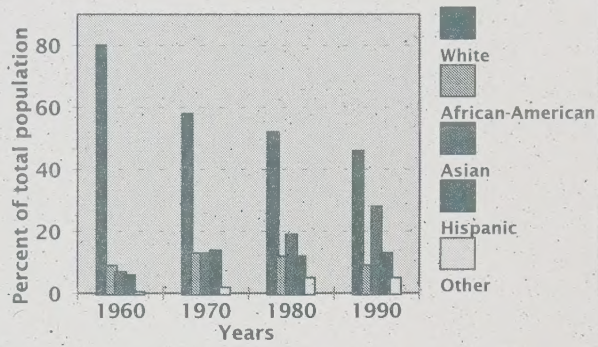
INTERNATIONAL, NATIONAL, AND REGIONAL CONTEXT

Ethnically Diverse and Skilled Labor Force

San Francisco has one of the most diverse populations among United States cities. Ethnic diversity in the city has increased dramatically over the past 30 years. In 1960, the white population represented more than 80 percent of the total. In 1990, no ethnic group in San Francisco represented more than 50 percent of the total population, while the white population in California and the United States represented around 60 and 70 percent respectively. During the 30 year period prior to 1990, the Asian population in San Francisco increased from about 8 percent to almost 30 percent of the total population. Hispanics increased from 7 percent to nearly 15 percent. African-Americans remained at about 10 percent. Other minority groups represented about 6 percent in 1990.

In addition to the increasingly multicultural composition of the city, one of San Francisco's most vital resources is a highly trained labor force. In 1990, the 35 percent of the San Francisco labor force 18 years old and over had a college degree. This was a much higher share than the 29 percent of Bay Area residents, 20 percent of California residents, and 18 percent of United States residents. The only Bay Area county with a higher share of population with a college degree was Marin county with 39 percent. The same pattern is found for residents with graduate or professional degrees. In San Francisco, 19 percent of the labor force over 18 had a graduate or professional degree.

San Francisco is an Increasingly Multicultural City



EDUCATIONAL LEVELS FOR LABOR FORCE POPULATION OVER 18 YEARS OLD 1990

	% of labor force w/ college degree	% of labor force w/graduate-prof. degree
San Francisco	35.3	19.0
Bay Area	28.5	15.2
California	20.0	10.0
United States	18.1	9.3

Source: Bureau of the Census
San Francisco Planning Department

World Class Center for Arts, Culture, and Convention Activities

San Francisco's arts, culture, and convention activities are an important part of the Bay Area economy. These activities form a major link between the city, the region, and the global economy. This sector has shown high and constant growth in employment and value added at the national, regional, and city levels. For example, between 1980 and 1990, the contribution of the motion picture industry to gross domestic product increased almost 130 percent. In the same period arts and culture related employment in San Francisco increased by about 16 percent. These and other creative and business activities are contributing to the multimedia industry, a key emerging sector.

The San Francisco Symphony, Opera, and Ballet continue to draw classical arts patrons from around the region and the world. The Museum of Modern Art, Fine Arts Museums, and the Asian Art Museum are also strong visitor attractions. However, what makes San Francisco unique among cultural centers is the existence of a vast number of small-scale arts organizations. They have emerged as a powerful force in San Francisco, reflecting and responding to the changing ethnic composition, and to generational changes in the arts audience.

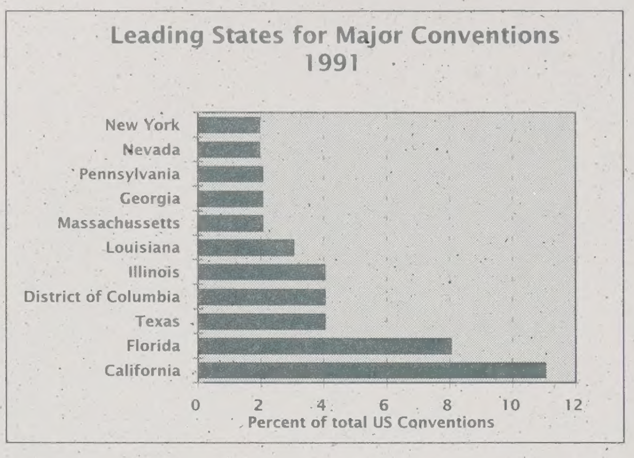
Since the late 1980s, convention activities have rapidly increased at the national, state, and local level. Between 1988 and 1993, exhibit space in United States cities increased about 20 percent to total approximately 58 million square feet. Between 1987 and 1991, national trends also showed an increase in space and attendance per convention. California has led the United States in major convention activities and captures about 12 percent of all conventions nationwide.

Connections to the Global Economy

- 13.4 million visitors to San Francisco in 1993
- The city receives $40 million annually from visitor spending
- $88 million per year in total hotel tax revenues
- 66,400 jobs directly supported by visitor spending

On the West Coast, San Francisco represents one of the most attractive locations. In terms of convention space availability, San Francisco ranks fourth in the west, after Las Vegas, Los Angeles, and Anaheim. San Francisco attracts 24 percent of all exhibitors on the west coast, 22 percent of total attendance, 20 percent of all events, and 15 percent of space used. When looking at conventions by industry, San Francisco has a large market share of electronic/computers, medical, and food and beverage events.

The Moscone Convention Center is the 20th largest convention center in North America with a total space



of about 660,000 square feet and an estimated annual attendance ranging from 650,000 to 800,000 per year. The demand for convention space in the city is likely to remain high.

Reduction of Manufacturing Jobs Reflects Worldwide Patterns of Industrial Restructuring

Since the end of World War II, jobs in traditional manufacturing in advanced industrialized countries have declined due to large increases in productivity as well as relocation to countries with lower labor costs, less stringent environmental regulations, and lower taxes. This relocation has been possible because of the improvements in communication and transport technologies, as well as the reorganization of production processes into smaller and more discreet tasks.

Between 1980 and 1990, manufacturing employment declined significantly - from 40 percent to 34 percent of total United States jobs. However, in terms of gross domestic product, total manufacturing output increased from 40 to 41 percent of the national total. This is a reflection of greater productivity in manufacturing.

A similar trend was observed at the regional and local levels. In the Bay Area, the share of manufacturing jobs declined from 36 to 33 percent of all jobs. In San Francisco, manufacturing jobs declined from 30 to 22 percent of total jobs.

Traditional manufacturing has continued to face a number of constraints in San Francisco, such as high land prices, limited land availability, and limited rail and port accessibility. However, new industries and restructured old industries are creating a "new industrial" space in San Francisco. Multimedia represents one of the emerging industries in San Francisco, with the highest concentration among all metropolitan regions in the United States. Apparel manufacturing in San Francisco has remained strong throughout the recent recession by shifting from mass production to high value designer products. Printing and publishing is incorporating new information technologies and represents a key support industry for the San Francisco financial sector.

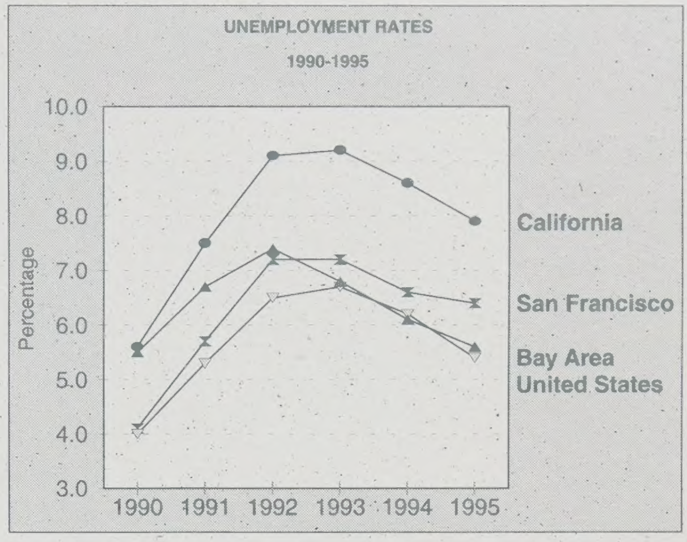
Recent Employment Recovery: San Francisco Bay Area Faster than the State

Within the Bay Area, San Francisco was one of the cities most affected by the recession. Between 1990 and 1993, San Francisco employment declined from 559,000 to 522,000 or about 6 percent. Between 1993 and 1995, employment in San Francisco remained stable. Silicon Valley lost a larger number of jobs, but proportionally San Francisco had the highest employment decline. These trends were mainly due to the downsizing in industries such as finance, telecommunications, and utilities.

San Francisco Unemployment Rate is one of the Highest in the Bay Area

- Since 1990, the unemployment rate gap between San Francisco and the Bay Area has been increasing
- 1990 - San Francisco 4.1%, Bay Area 4.0%
- 1995 - San Francisco 6.4%, Bay Area 5.4%

The San Francisco Bay Area's recovery from the recent recession started in 1994. Between 1993 and 1994, employment in the Bay Area showed almost no decline. In 1995, it increased by 5,000 jobs up to 2,890,000 Because of its economic diversity, the Bay Area has weathered the recession better than the state with only a 2.3 percent decline in jobs during 1990-93 compared to 3.8 percent for the state.



REGIONAL INTERDEPENDENCIES

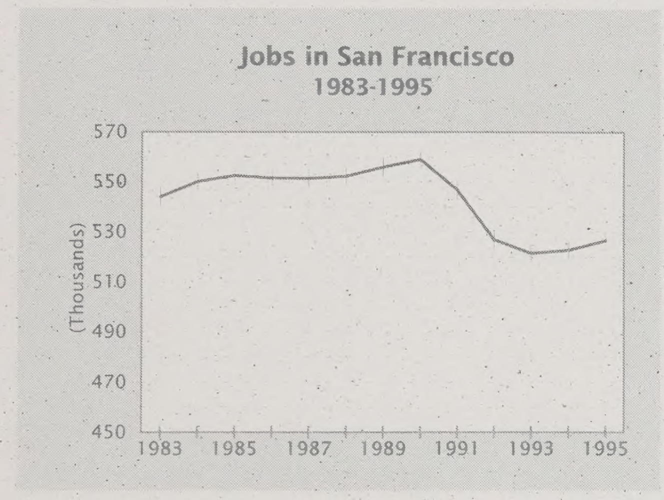
Jobs - Housing - Transportation

In 1995 San Francisco had 526,000 jobs, with 240,000 (46 percent) held by workers living outside the city. Of these, 51,000 workers came from the North Bay; 101,000 from the East Bay; and 78,000 from the South Bay. In addition, about 10,000 workers came to work in San Francisco from outside of the Bay Area. Almost 80 percent of all commuters work in downtown San Francisco. The total number of commuters into San Francisco is larger than the number of commuters to any other county or subregion within the Bay Area.

San Francisco shows one of the highest rates of public transit ridership compared to the region or the nation. About 60 percent of the total combined city resident and commuter workers in San Francisco use public transportation or rideshare; the fourth highest transit mode-share in the nation. Within just the commuter sector, about 40 percent use public transportation or a rideshare program. The transit system has made it possible for San Francisco to be a major employment center without severe congestion problems and greater demands for parking space.

Jobs in San Francisco

- San Francisco had 526,000 jobs in 1995
- Lost 40,000 jobs between 1990 and 1993
- Has gained 5,000 jobs since 1994 - slower growth than the rest of the region
- Services, Government, Retail, and FIRE (Finance, Insurance and Real Estate) comprise 80 percent of all jobs



Industrial Linkages

The San Francisco Bay Area is a vital economic region providing an enormous diversity of products and services. This diversity and strong linkages among industries within the region have resulted in robust economic health. Within the region, the city of San Francisco plays a very important role as a international cultural center and as a center for finance and high level business services. The sectors most closely linked to the regional economy include finance, insurance and real estate (FIRE); apparel manufacturing; transportation services; business and professional services; motion picture production; hospitality and tourism; and the arts. These critical sectors exchange services and goods with the rest of the regional economy. Thus, their growth and decline impact other industries in the region.

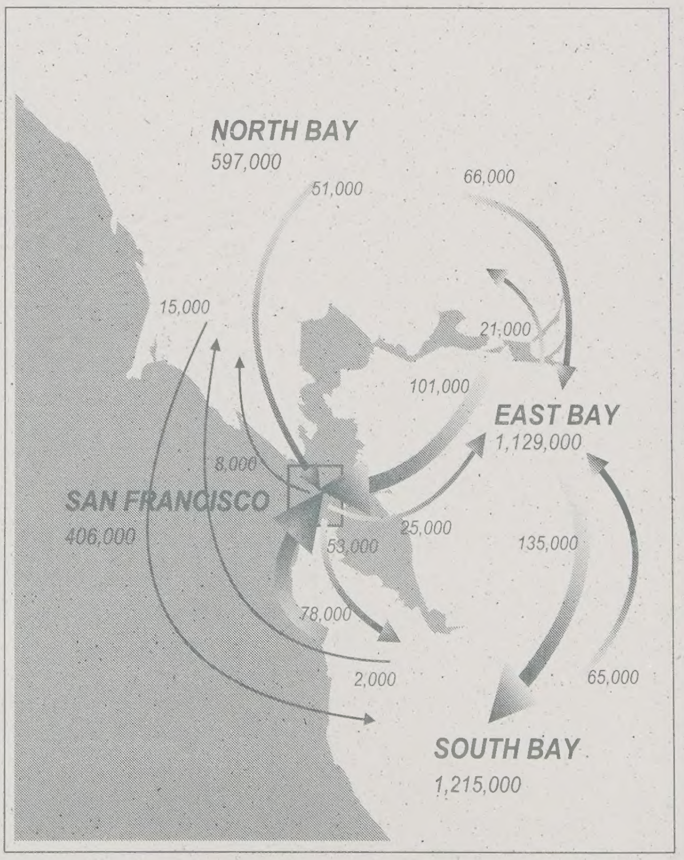
The San Francisco economy relies primarily on Marin, San Mateo, and Contra Costa counties for the provision of industrial supplies. On the other hand, Napa and San Mateo are the main buyers of San Francisco's goods and services.

Commuters to San Francisco

- 101,000 from the East Bay
- 51,000 from the North Bay
- 78,000 from the South Bay
- 10,000 from out of Bay Area

The FIRE and legal services industries provide 13 percent of total San Francisco employment, a percentage that is almost twice to four times the share of these jobs in the Bay Area, California, or the United States. They serve most counties and industries in the Bay Area with particular concentration in: wholesale businesses in San Mateo and Alameda; transportation services in Contra Costa and San Mateo; retail in Solano, Sonoma, and Contra Costa; petroleum refining in Contra Costa; motion picture production in Marin; and educational services in Napa, Marin, and San Mateo.

Business and professional services represent a cluster of activities that provide direct support to most other activities in the Bay Area economy. This industry cluster ranges from advertising and photocopying to engineering and research and development. It repre-



sents about 84,000 jobs or 16 percent of all jobs in the city. This employment share is one and a half times the Bay Area share and three times the nationwide share. The counties that depend the most on San Francisco business and professional services include Marin, Contra Costa, San Mateo, Sonoma, and Napa.

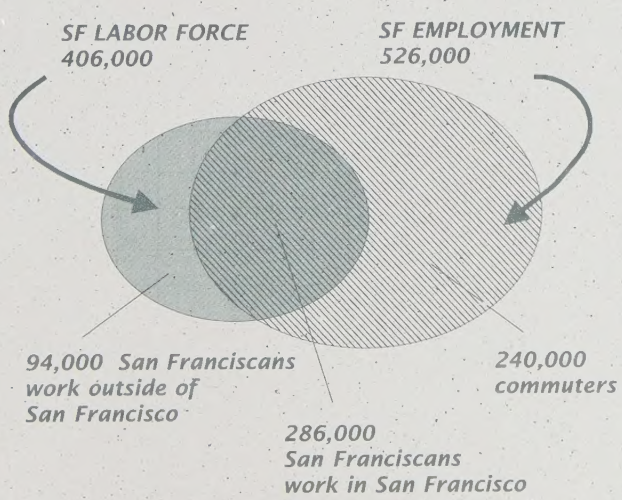
Jobs, Housing, and Transportation, 1995

- San Francisco Labor Force - 406,000 San Francisco residents able to work
- San Francisco Employment - 526,000 persons working in San Francisco
- 286,000 San Franciscans work in San Francisco
- 94,000 San Franciscans work outside of San Francisco
- 24,000 San Franciscans are unemployed
- 240,000 workers commute to San Francisco

The apparel industry is the sector of the San Francisco industry that relies the most on inputs from other counties in the Bay Area. It buys chemicals from Contra Costa and wholesale products from San Mateo, Alameda, and Santa Clara. At the same time, San Francisco apparel businesses are the main suppliers for the hotel, rubber, and leather industries in Napa and San Mateo, the construction industry in Solano and Contra Costa, and the lumber and furniture industry in Sonoma and Solano.

The San Francisco visitor sector is critical to the health of the regional economy as well. About 40 percent of all San Francisco visitors travel to northern parts of the Bay Area including Sausalito, Tiburon, Muir Woods in Marin County and the wine country. At the same time, most Bay Area visitors come to San Francisco for businesses, shopping, or entertainment.

JOBS + HOUSING + TRANSPORTATION



Other San Francisco industries that play major roles in the Bay Area economy include medical research and services, education and nonprofit organizations, transportation services, and communications.

San Francisco's greatest dependence on the rest of the region involves the thousands of workers that move in and out of the city everyday.

STRUCTURE AND TRENDS OF THE SAN FRANCISCO ECONOMY

Labor Force Strenghts

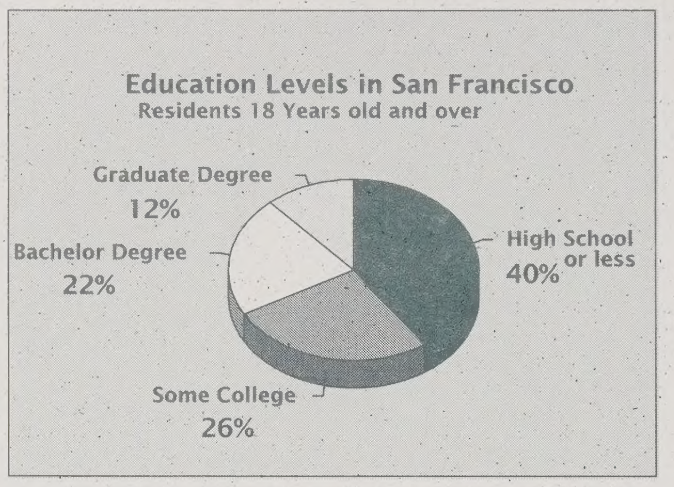
Ethnically, the city's labor force represents the diverse population of the city. In addition to providing social and cultural richness to the city, ethnic diversity contributes to the economy as it enhances the hospitality industry as well as the international dimensions of the city's economic dynamic. About 34 percent of all San Franciscans were born outside of the United States, and about half of this group entered the country between 1980 and 1990. Many of these people maintain ties with their countries of origin, socially, politically, and economically, increasing the city's participation in the global marketplace via trade and investment.

The basic requirement for a strong labor force is education, particularly in the increasingly specialized and technical "information-based" activities at the core of the San Francisco economy. The city's labor force is highly educated. Workers in the city are twice as likely

Labor Force in San Francisco

- Marina/Fillmore, Richmond and Mission are the largest districts in terms of labor force
- Noe Valley/Upper Market, Marina/Fillmore, and West Portal/Twin Peaks have the highest concentration of people with at least a Bachelor's degree

to have a college degree than workers nationwide and about 25 percent more likely than Bay Area workers. There are similar patterns in graduate and professional degrees as well.



Employment and Income Distribution by District and Ethnicity

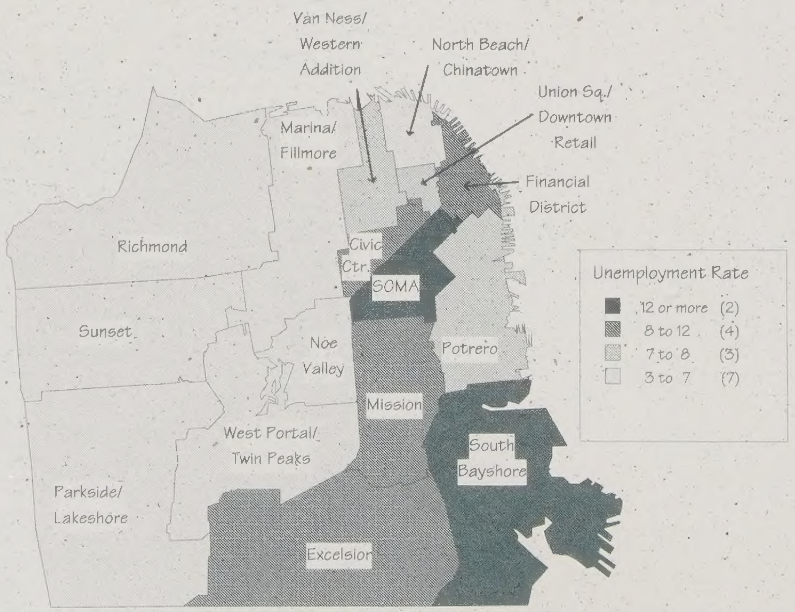
Nearly 57 percent of all workers in San Francisco belong to the non-Hispanic white ethnic group. Asian and Pacific Islander workers represent nearly 20 percent of the total employment, Hispanic workers 12 percent, and African-Americans 8 percent.

When looking at the ethnic breakdown within each district, Noe Valley and the Financial district showed the highest concentrations of white workers, constituting two-thirds of all workers in these districts. Asian and Pacific Islander workers were concentrated in North Beach/Chinatown where they represented more than 25 percent of all workers. High concentrations of this ethnic group were also found in the Richmond, Sunset, Parkside/Lakeshore, and Excelsior districts. The South Bayshore and Excelsior had the highest proportion of African-American workers, at 13 and 12 percent of all workers in those districts, respectively. The Mission district showed the highest proportion of Hispanic workers, 26 percent of all district workers. The South Bayshore and Excelsior districts also showed high levels of Hispanic workers at 16 and 17 percent of all district workers, respectively.

Although economic indicators for San Francisco are improving in general, significant inequality persists in some city neighborhoods. For example, the median income for residents of the Civic Center and South of Market districts is about half of the citywide average, and about one-third of the median income of the highest district, West Portal/Twin Peaks.

While about one-third of all persons eighteen or older in the city have at least a Bachelor's degree, this level of educational attainment is only reached by one in twelve residents of the South Bayshore district. Conversely, more than half of residents of the Noe Valley/ Upper Market district have at least a Bachelor's degree, and nearly twenty percent have a graduate or professional degree --more than twice the share of South Bayshore residents with even a Bachelor's degree. The North Beach/Chinatown, Union Square, Civic Center, South of Market, South Bayshore, and Excelsior districts have shares of residents with less than a high school education that are nearly twice the citywide average of about 22 percent.

These demographic indicators are reflective of the unemployment rates in these districts as well. For example, while citywide unemployment stood at 6



percent in 1990, it was 13 percent for South Bayshore residents, 13 percent for South of Market residents, and 10 percent for Civic Center residents.

These figures are significantly correlated with areas of minority concentration as well, particularly for African-Americans. This group represents 61 percent of the population of the South Bayshore area, compared to only about 11 percent of the population citywide. Persons of Hispanic origin represent about 29 percent of the population of the South of Market district, compared with only about 13 percent of the population citywide. Finally, incomes for minority populations differ across districts as well. African-American households in the South of Market district earn a median income that is about 43 percent of that of African-American households citywide, while households of the same ethnic group in the West Portal/Twin Peaks district earn nearly twice the median income of all African-American households citywide.

Employment by Ethnicity by District, 1990

DISTRICT	Non-Hispanic White	African-American	Hispanic	Asian and Other	Total
Financial District	63.2%	6.7%	9.4%	20.7%	100%
Union Sq./Downtown Retail	38.0%	6.2%	7.8%	48.0%	100%
North Beach/Chinatown	52.3%	6.3%	10.2%	31.2%	100%
Van Ness/Western Addition	57.5%	6.2%	11.9%	24.4%	100%
Marina/Fillmore	60.1%	10.2%	10.1%	19.6%	100%
Civic Center	53.5%	10.5%	11.5%	24.5%	100%
South of Market	51.0%	8.7%	13.4%	26.9%	100%
Mission	45.8%	6.7%	26.3%	21.2%	100%
Potrero/Mission Bay	57.3%	8.4%	11.7%	22.6%	100%
South Bayshore	44.7%	13.0%	16.0%	26.3%	100%
Excelsior	47.1%	11.8%	16.9%	24.3%	100%
West Portal/Twin Peaks	58.7%	9.9%	11.7%	19.7%	100%
Noe Valley/Upper Market	66.9%	5.3%	11.8%	16.1%	100%
Richmond	55.1%	9.5%	10.4%	25.0%	100%
Sunset	59.5%	7.8%	9.7%	22.9%	100%
Parkside/Lakeshore	57.0%	8.9%	10.3%	23.8%	100%
CITYWIDE	56.6%	8.3%	11.7%	23.5%	100%

Source: 1990 Census; CTPP
San Francisco Planning Department

Economic Growth Around Downtown

Over the past ten years, the share of citywide economic activities taking place in the Financial district has remained at the same level or declined, while the share of activities in the South of Market and Marina/Fillmore districts have increased. Between 1984 and 1994, the employment concentration in the Financial district declined from 40 to 33 percent of all San Francisco jobs. During the same period, employment in the South of Market district increased from 15 to 20 percent of the citywide total, and in the Marina/Fillmore district from 5 to 9 percent.

The fast pace of growth in these two districts reflects the changing pattern of economic activity in the city. The South of Market district has developed partly as an expansion of downtown activities, as a location for industries that complement the financial functions of the downtown core, and for new types of industrial activities. This district lacks some of the urban amenities of downtown, but provides lower rents, larger floor space, and mixed-use opportunities.

Household Income in San Francisco

- West Portal/Twin Peaks and Parkside/Lakeshore districts have the highest household incomes
- Median Household Income by Ethnicity, 1990

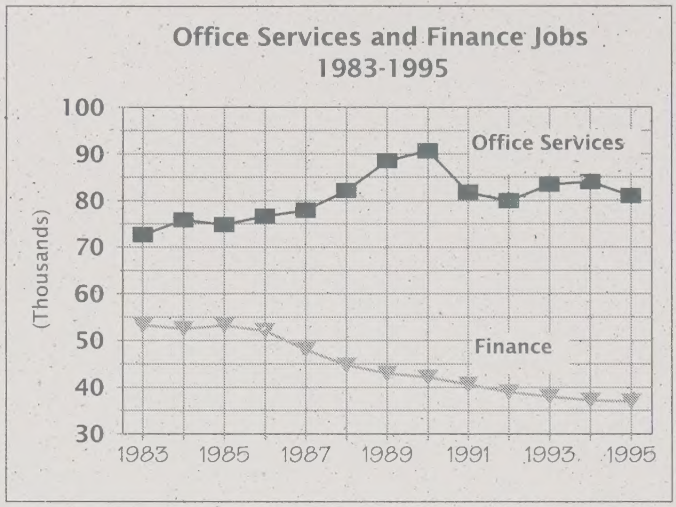
• White	$36,146	108%
• African-American	$21,857	65%
• Asian/Pac.Islander	$33,146	99%
• Hispanic	$30,034	90%
• All Ethnicities	$33,414	100%

Unemployment Rates in San Francisco, 1990

- South Bayshore and South of Market have the highest unemployment rates
- Unemployment Rates by Ethnicity

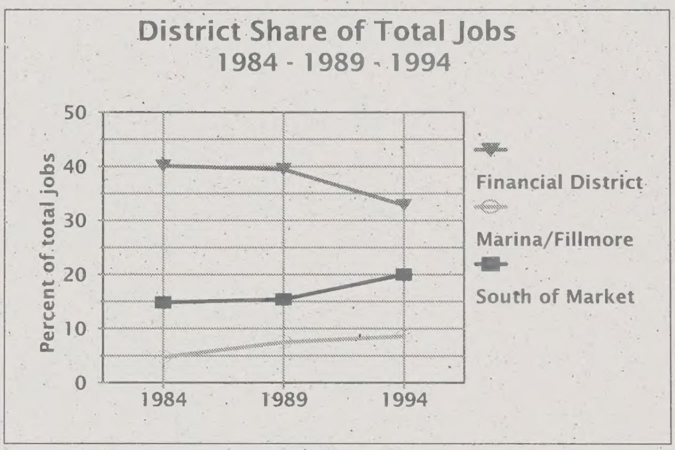
• White	5.8%
• African-American	13.5%
• Asian/Pac. Islander	6.0%
• Hispanic	8.9%
• All Ethnicities	6.3%

The Marina/Fillmore district shows a large concentration of cultural and institutional activities, which are growing at a fast pace. These sectors represent half of the employment in this district and complement the retail and office functions. The Marina/Fillmore district covers a wide range of mixed-use and residential neighborhoods including the Marina, eastern Pacific Heights, Western Addition, Fillmore, and Haight-Ashbury.



Employment Trends in Office Activities

Between 1985 and 1994, employment in financial and insurance services declined 27 percent from approximately 73,700 jobs to about 54,200. During the same period, professional and business services employment increased from approximately 89,000 to 100,000 jobs - an increase of 12 percent.



The decline in financial services employment is a result of several factors, including downsizing due to mergers and acquisitions, incorporation of specialized technical services into specific industries, consolidation of services in financial centers such as New York and Tokyo, and technological advances particularly in telecommunications and the increasing use of personal computers.

Professional services include legal, engineering, architectural, surveying, accounting, research, and management services. Business services include a variety of activities ranging from advertising, mailing, photocopying, computer and data processing services to building maintenance, equipment rental, and personnel supply services.

San Francisco's role as a provider of business and professional services is growing in size and importance at the regional and international level. These sectors perform a wide range of tasks. For example, mailing services range from bike messengers for immediate delivery within the city to electronic mail for instant communication across the world. Computer and data processing services range from data preparation to software design and multimedia displays. Engineering services range from structural design to environmental services and telecommunications consulting.

Professional and business services are often providing specialized functions that were previously contained within multinational corporations. They are also responding to an increasing demand for specialized information and support services in central cities like San Francisco, generated by the rapid growth of small businesses. They serve various industries at the regional level such as high technology manufacturing in Silicon Valley; film production in the North Bay; research and development at Berkeley, San Francisco, and Stanford; regional retail and wholesale in the East Bay.

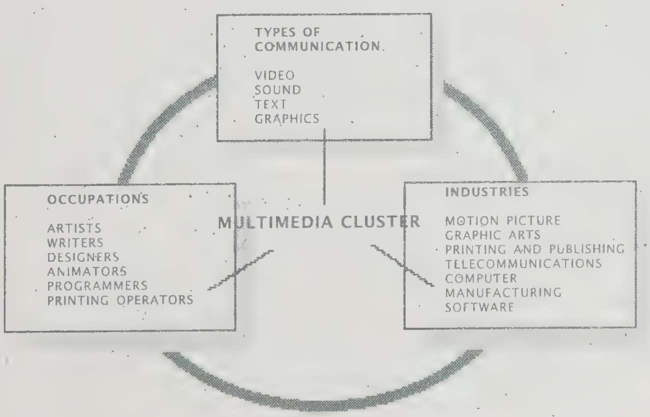
This shift from a predominantly financial function to a greater diversification of office and information services represents one of the main changes in San Francisco's economic role in the region. At the local and sectoral level, the reorganization of activities has taken place through the development of small business networks where each business performs very specialized tasks

which add up to a diversified overall economy. This change has driven a growth of businesses in non-downtown areas resulting in a different pattern of office development. An increasing number of small businesses which serve city wide and regional customers are located in many of the neighborhood commercial corridors.

Multimedia

The emergence of multimedia represents a new category of industrial activities that is replacing traditional manufacturing activities in the city and the Bay Area. Multimedia integrates various types of communication (video, sound, text, graphics), various industries (computer manufacturing, telecommunications, graphic art, motion picture, software, printing and publishing and retail), and various occupations (writers, artists, programmers, designers, animators). In addition, multimedia also blurs the division between consumers and producers due to the use of knowledge as the main input. Multimedia products are also tools for multimedia producers, thus, consumers directly contribute to the development of multimedia products.

A recent analysis of the multimedia industry cluster has reported over 60,000 jobs in the Bay Area. This number includes technology production, product distribution, information development, and product development. In terms of the product development, it has been estimated that there are nearly 10,000 jobs nationwide, with half of these jobs located in the South of Market district. In spite of the wide range of linkages across the region and participation from all counties, South of Market has offered an ideal combination of resources for the development of the multimedia cluster. It is one of the main locations for the artist community as well as printing and publishing businesses. Its proximity to downtown provides easy access to a variety of business services and new technology. Its large warehouses provide appropriate spaces at low rent. The existing informal network among businesses, industries, and related agencies is an important and unique resource. Undoubtedly, the most important resources are the talented and well-trained people of the city and the region.



Bioscience and Health Care

The Bay Area is emerging as one of the major bioscience centers in the nation. It is estimated that the region has 360 firms, which employ nearly 60,000 people. Major academic research institutions such as UC San Francisco, UC Berkeley, and Stanford University are critical to the growth of this industry. San Francisco plays a major role in shaping this industry because of the world class bioscience related research and development work at the UCSF Medical Center.

The health care industry is a vital part of the San Francisco economy. Health care related employment in the city remained strong throughout the recent recession, and is rapidly returning to the levels of job growth that characterized the sector prior to 1993. A "health care valley" appears to be developing around the Kaiser and Mt. Zion hospital facilities in the vicinity of Geary Boulevard and Divisadero Street. This area has recently experienced significant growth in employment and construction activity.

Currently, there are about 2,153 Health Services establishments in San Francisco, including medical offices. This represents about six percent of all establishments in the city. As of 1980 this sector employed about 36,395 persons, and by 1994 this had increased to 37,000, after declining to 32,000 in 1984. The UCSF Medical Center is the largest single non-government employer in the city of San Francisco.

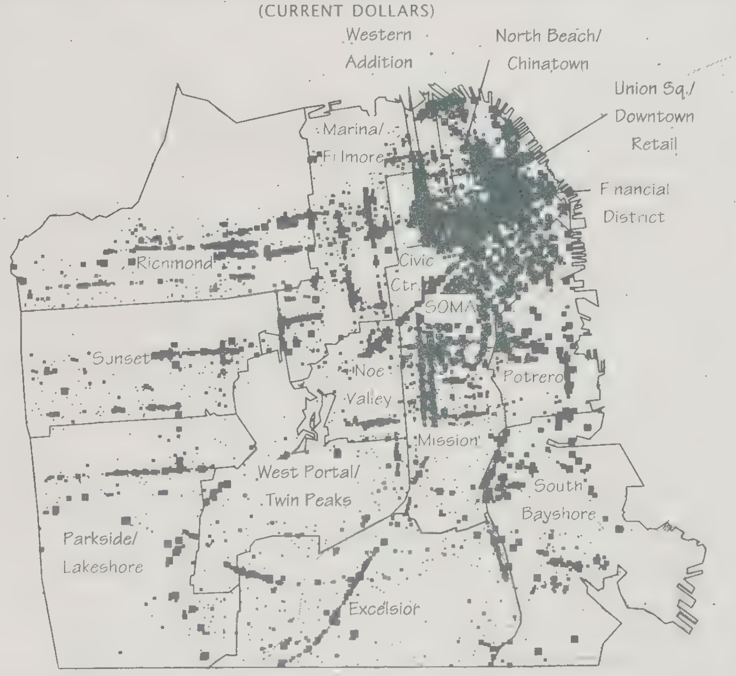
Arts and Culture

The economic contribution of the Arts and Culture sectors of the economy extends far beyond the jobs and revenues directly generated by these activities. Overall, there are about 650 establishments in the city whose primary functions are arts or cultural related activities, representing about two percent of all establishments citywide. One out of every ten businesses in San Francisco is related either directly or indirectly to the arts. In 1994, these activities alone generated over $300 million in gross receipts. An additional $200 million is estimated to have come from secondary spending related to these activities.

While the visitor and retail sectors are most directly linked to arts and culture, the office and industrial sectors are also beneficiaries. The importance of arts and cultural activities in the San Francisco economy is demonstrated in the rapid growth of the multimedia industry in the city, which reflects San Francisco's established base of artists and creative people and its trend-setting business community. Moreover, the solid foundation of venture capital, accounting, and legal services plus other professional service firms has facilitated the growth of this new industry.

RETAIL REVENUES BY BUSINESS LOCATION, 1994

(CURRENT DOLLARS)



Source: Office of the Tax Collector
San Francisco Planning Department

Visitor and Retail Sectors

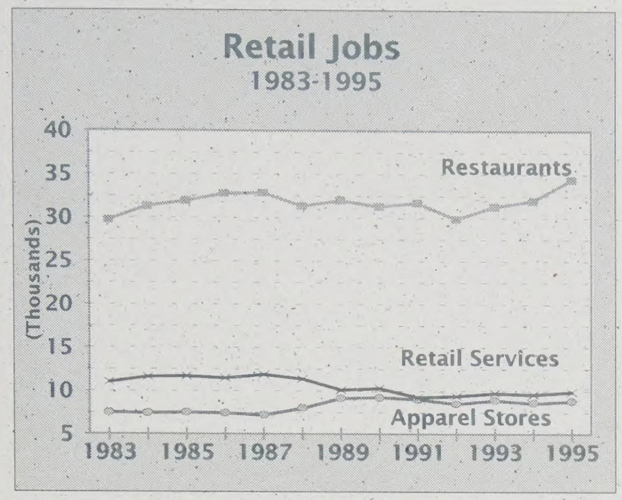
Other key sectors of the San Francisco economy include the visitor and retail sectors. Both sectors are recovering from the recession, and in looking at new capital projects and investments, appear to be poised for future growth as well. The visitor sector in San Francisco includes recreational tourists, conventioneers, and business visitors. In 1992, about 13.4 million people visited the city, including overnight and day visitors. Averaged over the year, this results in about 112,329 visitors in the city each day. An average of about 70 percent of the city's existing base of approximately 30,000 hotel rooms are filled each night, which is above the national average of about 66 percent.

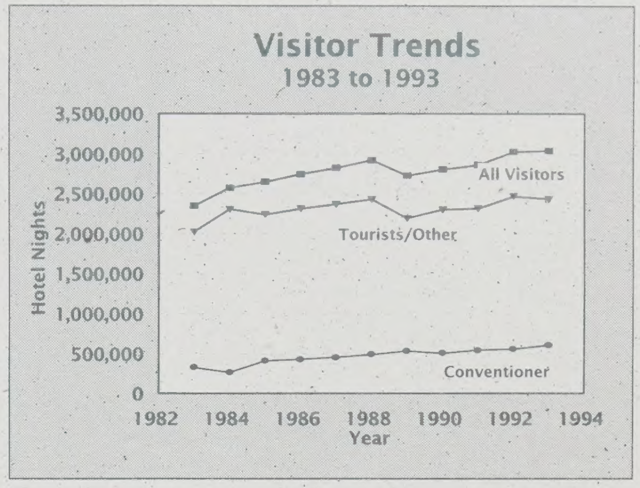
The visitor sector is a major contributor to the city's economy, bringing in about $231 million in total revenues annually. Moreover, about 66,000 jobs, or about twelve percent of the citywide total, are directly supported by visitors.

Convention activities are an important piece of the city's economy. About one-fifth of all hotel guests are convention attendees or their families. And, it is estimated that about 5.1 million of the estimated 13.4 million visitors to the city are visiting for business purposes.

The visitor sector is a critical component in supporting the city's thriving retail sector. This is primarily true in the major shopping areas such as Union Square, Downtown, and Fisherman's Wharf, as well as in many of the city's unique neighborhood commercial districts. The decentralized pattern of visitor activities supports a wide variety of business sizes and types throughout the city.

The retail sector has shown some signs of recovery from the recession, although there have been some major setbacks, such as the closure of the Emporium store on Market Street. The city faces challenges in attempting to adjust to the changing nature of retail brought about by larger "super-stores," while still maintaining the unique, pedestrian-friendly, small-scale character of many of





the shopping areas, and maintaining their individuality and direct service links to San Francisco's many diverse neighborhoods.

Retail sales citywide increased by about $300 million in 1994, after three years of steady decline. Restaurants, apparel stores, and retail services and repairs were among the leaders of this recovery. Although the past two years have marked the emergence of large stores such as Costco, NikeTown, and the Virgin Megastore, most of the gains in retail sales and employment were in establishments with less than 20 employees.

SAN FRANCISCO'S ROLES AND RESOURCES

Leading Industries

There are four groups of industries that will lead the San Francisco economy into the next century: a large and diversified office services cluster, the emerging multimedia and bioscience industries, the redefined apparel and printing industries, and visitor activities.

Office services are at the core of the San Francisco economy. They include a diverse set of business and professional services which are experiencing large increases in employment and revenues. These services represent a mix of small and large businesses growing in a decentralized pattern within and outside of downtown. Finance remains as a major office function in San Francisco but it is no longer the largest employment or revenue group. Business and professional services are growing in employment size and diversity of activities performed.

The two emerging industries in San Francisco are multimedia and bioscience. Multimedia still represents a small industry cluster locally but it is the highest concentration of these jobs and products in the nation. South of Market is one of the most attractive environments for the development of multimedia nationwide because of its proximity to Silicon Valley, downtown San Francisco, availability of space, and access to a large artist community. The greatest strength of this industry cluster is the extensive linkages between industries. Bioscience represents an industry that has grown at a small but constant pace. It has been built around health, research, and high technology industries, which are well established sectors in San Francisco. In addition, San Francisco provides business and financial services for the development of bioscience in the rest of the Bay Area.

The traditional apparel manufacturing sector in San Francisco is evolving and shifting from large warehouses to small workshops or offices. It no longer relies on mass and assembly line production, rather the production process is subdivided in to small specialized tasks at different locations. Apparel manufacturing within the Bay Area is largely concentrated in San Francisco. It is one of the few industries that has shown constant employment growth even through the recent recession. It is currently shifting from high volume to high value and specialized design.

The printing and publishing industry in San Francisco is widening the range of options in its provision of services by incorporating new technology and merging with multimedia. This industry is also closely related to office and convention activities.

Visitor activities in San Francisco are also at the core of the local economy and are closely related to the office sector. San Francisco visitors include tourists as well as conventioneers and regional visitors. The city provides a very attractive urban landscape in addition to a wide range of convention facilities, business services, specialized retail, cultural activities and entertainment. San Francisco's role as a meeting place has increased in importance.

Regional Role

Until the 1980s, San Francisco's role in the region was primarily defined as an employment and financial center. These functions are still essential for the region but no longer maintain the San Francisco's status in the larger global economy. San Francisco has incorporated major functions as a center of information exchange, provision of professional services, and personal interaction.

San Francisco still represents the largest employment center among all cities in the Bay Area and the highest concentration of jobs in terms of spatial density. However, during the 1980s, there was an emergence of multiple employment clusters around the Bay Area that reduced the role of San Francisco as the major regional employer. Silicon Valley experienced a rapid employment growth and became the largest concentration of jobs in the region. The East Bay also experienced some moderate employment growth, especially in Concord and Pleasanton. The largest concentration of financial activities and jobs have been and continue to be located in San Francisco. However, financial activities in San Francisco have declined over the past ten years.

The increasing participation of the Bay Area in the international economy relies on San Francisco as a center for exchange of information. San Francisco has developed an extensive network of institutions, businesses, and infrastructure that facilitate the communication amongst people, businesses, institutions, and investors worldwide. Convention and cultural activities play a central function in this network. The diversity of industries and skills, as well as the ethnic and cultural backgrounds of workers, represents a major asset for participation in the international economy.

The role of San Francisco as an information center is linked to the availability of a wide range of professional services and its attraction as a center for personal interaction. Professional services provide the necessary economic support for small, new, and international businesses to operate in the city without having to make major investments. In spite of the increasing development of telecommunications, personal interaction has not yet been replaced. Furthermore, the increasing subdivision of industries in small tasks requires greater personal interaction across businesses and industries.

Quality of Life and Economic Vitality

San Francisco has developed a recognized urban character. The spatial configuration of the city provides a high density downtown where activities, high rise buildings, and jobs are concentrated. This concentration allows the preservation of low density and small scale concentrations of economic activities throughout the rest of the city. This spatial balance has contributed to the economic vitality of a very dynamic economic core and to the preservation of the cultural identity and economic strength of neighborhoods such as North Beach, Chinatown, Mission District, Haight-Ashbury.

Some of the city's key assets include its natural beauty, open spaces and urban design elements that have been created and maintained over the years. These assets are critical for all sectors of the economy, making the city attractive to residents, workers, shoppers, and tourists alike. Currently, major public projects either have been completed or are in the works, which have

the potential to significantly change the face of the city. These include the F-line street car and Embarcadero roadway improvements, Civic Center rejuvenation, the new Main Library, Moscone Center expansion, the Transbay Terminal, and the proposed waterfront baseball stadium, among others.

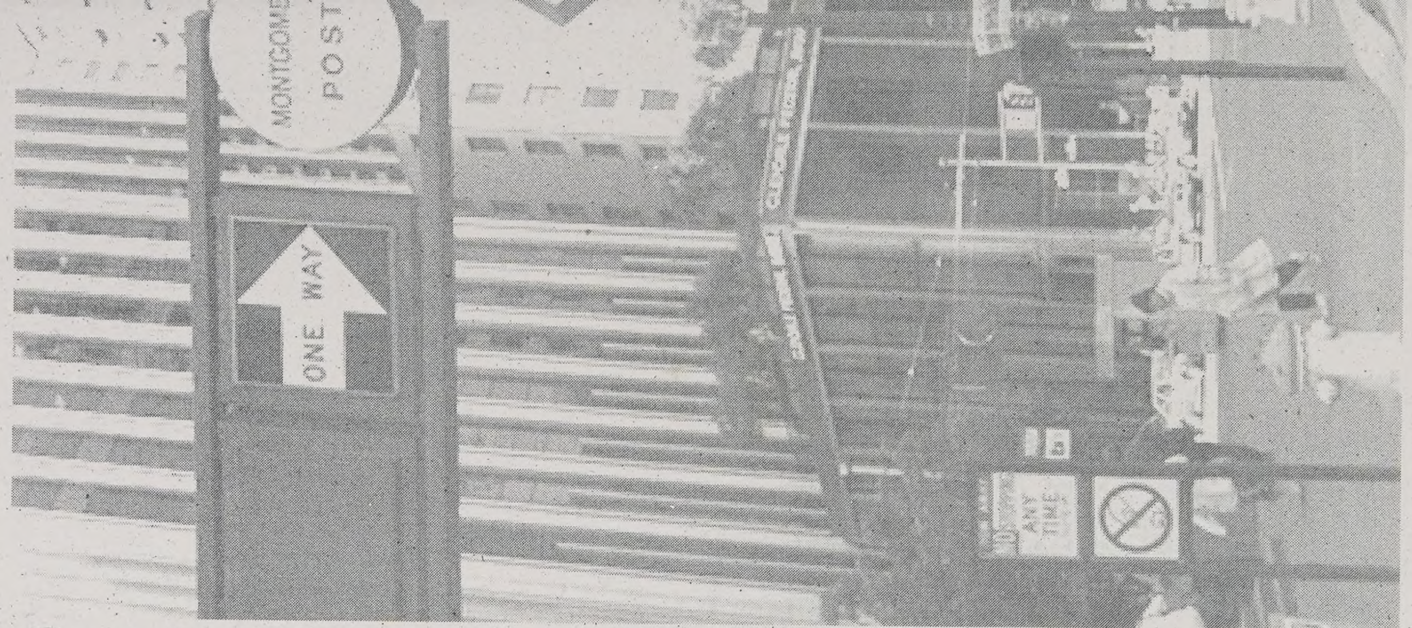
These major public projects are important to the continued viability of the San Francisco economy, but must also be carried out carefully, so as not to destroy or detract from the ambiance of the city that makes it attractive to residents, employers, and tourists.

San Francisco has been able to provide a range of housing options for its workforce, but as a regional employment center, it does not provide a balance between the number of jobs and the required housing. The increasing demand for affordable housing exceeds the city's current capacity and limits potential employment growth.

The levels of public transit ridership in the city are among the highest across the United States and are significantly higher than any other California city or region. Approximately 250,000 workers come into the city every day, of which about 40 percent use public transit or a rideshare program. In spite of the limited capacity and service quality of the public transit system, this system has provided access for the regional labor force to San Francisco downtown and has contained the expansion of congestion problems, parking demand, and air pollution.

San Francisco is not a new city. Therefore, much of its infrastructure is old and in need of repair or replacement. As infrastructure is a basic and critical component of any city's economic viability, it is necessary that San Francisco continue to upgrade and maintain its existing infrastructure, and add new infrastructure, both in areas of growth and in areas of technological change such as fiber optics, if it is to maintain its economic health. Currently, the city has a number of programs in progress to this end, upgrading its streets, sewers, and water systems.

Maintaining and improving infrastructure is costly. San Francisco currently has a sound bond rating. It is important to the city's economic vitality that it maintain both its sound bond status and its infrastructure.



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